

Message Text

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TAGS: EAID

SUBJECT: 1977 US RESOURCE FLOWS TO THE DEVELOPING
COUNTRIES

1. SUMMARY: US OFFICIAL DEVELOPMENT ASSISTANCE (ODA)
DISBURSEMENTS DROPPED IN ABSOLUTE TERMS AND AS A PERCENT
OF GNP IN CY 1;77. US ODA WAS .25 PERCENT OF GNP IN 1976
AND .2, PE,CENT IN 1977. TOTAL US PUBLIC AND PRIVATE FLOWS
OF FUNDS ROSE SLIGHTLY IN ABSOLUTE TERMS BUT ALSO DECLINED
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RELATIVE TO GNP. THE OECD DEVELOPMENT ASSISTANCE COMMITTEE
(DAC) WILL RELEASE THE FIGURES WITHIN THE NEXT FEW WEEKS.
THIS TELEGRAM PROVIDES GUIDANCE FOR USE IN RESPONDING TO
QUESTIONS ABOUT US AID AND NON-AID RESOURCE FLOW LEVELS.
END SUMMARY.

2. THE UNITED STATES RECENTLY SUBMITTED TO THE OECD
DEVELOPMENT ASSISTANCE COMMITTEE PRELIMINARY DEPARTMENT OF
COMMERCE DATA FOR OFFICIAL DEVELOPMENT ASSISTANCE (GRANTS
AND LOANS WITH A GRANT ELEMENT OF AT LEAST 25 PERCENT--

PROVIDED THEY ARE ADMINISTERED BY OFFICIAL AGENCIES AND ARE MAINLY INTENDED FOR THE PROMOTION OF ECONOMIC AND SOCIAL DEVELOPMENT), OTHER OFFICIAL FLOWS (OOF), AND PRIVATE FLOWS DISBURSED BY THE US IN CALENDAR YEAR 1977 TO DEVELOPING COUNTRIES AND MULTILATERAL DEVELOPMENT INSTITUTIONS. THE DATA, WHICH ARE PRELIMINARY, INDICATE THAT US TOTAL OFFICIAL AND PRIVATE FLOWS EDGED UP IN 1977 TO DOL. 12.653 BILLION FROM DOL. 12.344 BILLION IN 1976. HOWEVER, THE RATIO OF TOTAL FLOWS TO GNP IS ESTIMATED TO HAVE DECREASED FROM .72 PERCENT IN 1976 TO .67 PERCENT IN 1977 DUE TO THE INCREASE IN THE US GNP. THIS IS THE SECOND CONSECUTIVE DROP IN THE US TOTAL FLOWS TO GNP RATIO. NET DISBURSEMENTS OF ODA DECLINED FROM DOL. 4.33 BILLION IN 1976 TO DOL. 4.12 BILLION IN 1977. MOST ODA COMPONENTS SHOWED MODERATE UPTURNS. HOWEVER, DOLLAR DRAWINGS BY THE INTERNATIONAL DEVELOPMENT ASSOCIATION (THE SOFT-LOAN WINDOW OF THE WORLD BANK), WHICH HAD BEEN UNUSUALLY HIGH IN PRECEDING YEAR, DECLINED TO MORE NORMAL LEVELS. THE 1977 ODA TO GNP RATIO IS .22 AS COMPARED WITH .25 IN 1976. (THE DAC AVERAGE WAS .33 IN 1976.) OTHER OFFICIAL FLOWS DROPPED FROM DOL. 822 MILLION IN 1976 TO DOL. 725 MILLION IN 1977.

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3. ODA COMMITMENTS IN 1977 WERE DOL. 6.175 BILLION, DOWN DOL..9 BILLION FROM 1976. OOF COMMITMENTS INCREASED IN 1977 BY THE AMOUNT OF THE BALANCE-OF-PAYMENTS LOAN TO PORTUGAL AND PARIS CLUB DEBT REORGANIZATION AND TOTALED DOL. 2.416 BILLION. TOTAL OFFICIAL COMMITMENTS DROPPED FROM DOL. 9.073 BILLION IN 1976 TO DOL. 8.591 BILLION IN 1977.

4. PRIVATE FLOWS INCREASED FROM DOL. 6.399 BILLION IN 1976 TO DOL. 6.911 BILLION IN 1977. WITHIN THIS CATEGORY DIRECT INVESTMENT, INCLUDING REINVESTMENT OF EARNINGS, INCREASED FROM DOL. 3.119 BILLION IN 1976 TO DOL. 5.618 BILLION IN 1977. PORTFOLIO INVESTMENT IN 1976 WAS DOL. 1.655 BILLION AND IN 1977 WAS DOL. 647 MILLION. THE DECLINE WAS DUE BOTH TO A MUCH LOWER LEVEL OF MULTILATERAL BOND FLOTATIONS (I.E., BY THE IBRD AND OTHER MULTILATERAL DEVELOPMENT BANKS) AND TO REDUCED PURCHASES OF LDC DEBT INSTRUMENTS. THE EXTENSION OF OTHER LONG-TERM CREDITS (INCLUDING PRIVATE EXPORT CREDITS) TO DEVELOPING COUNTRIES DECLINED FROM DOL. 1.625 IN 1976 TO DOL. 646 MILLION IN 1977.

5. THE ODA FLOW LEVEL WAS DEPRESSED DUE IN PART TO LAGS IN THE DRAWDOWN OF ASSISTANCE COMMITMENTS. AS NOTED, US ODA COMMITMENT LEVELS IN 1976 AND 1977 WERE SUBSTANTIALLY HIGHER THAN CORRESPONDING DISBURSEMENTS. AID EXPECTS THAT HEAVIER DRAWDOWN FROM THESE AND OTHER COMMITMENTS

DURING 1978 WILL RESULT IN AN INCREASED LEVEL OF US ODA
DISBURSEMENTS. (FYI ONLY: GNP INCREASES NEVERTHELESS
MAY PREVENT THE ODA/GNP RATIO FROM RISING VERY MUCH.
END FYI.)

6. THE UNITED STATES AGREED AT CIEC TO INCREASE AID SP-
STANTIALY AND PROGRESSIVELY. FY 1977
AND FY 1978 BUDGET AUTHORITY LEVELS AND THE ADMINISTRA-
TION'S REQUEST FOR FY 1979 ARE SUMMARIZED BELOW (IN
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MILLIONS OF DOLLARS):

	1977	1978	1979
MULTILATERAL DEVELOPMENT BANKS			
INCLUDING CALLABLE CAPITAL	1141	1926	3505
INTERNATIONAL ORGANIZATIONS	244	231	282
AID BILATERAL	1121	1286	1651
FOOD FOR PEACE	1169	923	806
SUCURITY SUPPORTING ASSISTANCE	1758	2219	1904
OTHER	193	216	237
TOTAL ECONOMIC ASSISTANCE	5625	6801	8385
CALLABLE CAPITAL	-386	-833	-,376
TOTAL LESS CALLABLE CAPITAL	5240	5979	7009

NOTES: (1) CALLABLE CAPITAL FOR THE WORLD BANK AND OTHER
MULTILATERAL DEVELOPMENT BANKS (MDBS) MUST BE APPROPRIATED
BY CONGRESS, BUT IT SHOULD NOT RESULT IN ACTUAL OUTFLOWS.
ALMOST ALL ECONOMIC ASSISTANCE OTHER THAN CALLABLE CAPITAL
QUALIFIES AS ODA. IT IS CLEAR FROM THE TABLE, THEREFORE,
THAT US ECONOMIC ASSISTANCE SHOULD RISE SUBSTANTIALY IN
THE NEXT FEW YEARS, SUBJECT TO FUTURE CONGRESSIONAL
APPROVAL. (2) THE APPARENT DECLINE IN FOOD FOR
PEACE LEVELS REFLECTS COMPLEXITIES IN THE APPROPRIATIONS
PROCESS AND DOES NOT IMPLY REDUCTIONS IN P.L. 480 SHIP-
MENTS.
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7. THE INTERNATIONAL DEVELOPMENT STRATEGY (IDS) ADOPTED
BY THE UN IN 1970 FOR THE SECOND UN DEVELOPMENT DECADE
(1971-80) CALLED ON EACH DEVELOPED COUNTRY (1) TO PROVIDE
BY 1972 AND ANNUALLY THEREAFTER NET FINANCIAL RESOURCE

FLows TO LDcs OF AT LEAST 1.0 PERCENT OF GNP AND (2) TO INCREASE THE ODA COMPONENT OF TOTAL NEW RESOURCE FLOWS SO AS TO REACH A LEVEL OF AT LEAST .7 PERCENT BY 1975. THE USG ACCEPTED THE 1.0 PERCENT TOTAL FLOW TARGET ON A "BEST EFFORTS" BASIS WITHOUT COMMITMENTS AS TO DATES DESPITE ITS IMPERFECTIONS (SUCH AS ATTEMPTING TO RELATE FLOWS TO THE GNP OF DEVELOPED COUNTRIES RATHER THAN TO THE NEEDS OF LDcs). WE ACTUALLY EXCEEDED IT IN 1975. THE USG ENTERED A RESERVATION THAT WHILE MAKING ITS "BEST EFFORTS" TO INCREASE ODA, IT COULD NOT ACCEPT THE SPECIFIC 0.7 PERCENT ODA TARGET. IT CONSISTENTLY HAS MAINTAINED THE RESERVATION ON THE GROUNDS THAT (1) THE ODA TARGET DISREGARDS NON-CONCESSIONAL FLOWS, WHICH ARE VERY IMPORTANT FOR MANY MIDDLE- AND HIGHER-INCOME LDcs, (2) IT IS NOT RELATED TO THE REQUIREMENTS OF INDIVIDUAL LDcs OR TO LDcs AS A GROUP, AND (3) THE PROSPECT OF THE US OR THE DAC MEMBERS AS A GROUP ACTUALLY ATTAINING THE ODA TARGET IS VERY REMOTE.

8. THE OECD WILL PROBABLY RELEASE THE PRELIMINARY US FIGURES ON THE FLOWS OF FUNDS WITHIN THE NEXT FEW WEEKS, ALONG WITH THOSE OF OTHER DAC MEMBERS. WE EXPECT THAT THE RELEASE WILL RECEIVE WIDESPREAD ATTENTION BY SOME GOVERNMENTS AND BY THE PRESS AND THAT THE US WILL BE COMPARED UNFAVORABLY WITH MOST OTHER DONORS. THIS IS TRUE FOR THREE REASONS: (A) THE US WILL HAVE A LOWER ODA TO GNP RATIO THAN MOST OTHER DONORS, (B) IN RECENT YEARS LDcs AND CERTAIN DCs (SUCH AS THE NETHERLANDS, SWEDEN, AND NORWAY WHERE ODA EXCEEDS 0.7 PERCENT) HAVE GIVEN INCREASING EMPHASIS TO THE ODA TARGET WHILE DOWNPLAYING THE 1.0 PERCENT TOTAL FLOWS TARGET, AND (C) BECAUSE OF UNCLASSIFIED

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THEIR RELATIVELY SMALL POPULATIONS, THE NATURE OF THEIR GOVERNMENT OIL REVENUES, AND FAIRLY HIGH ODA FLOWS TO OTHER LDcs, CERTAIN OPEC MEMBERS (IRAN, KUWAIT, LIBYA, QATAR, SAUDI ARABIA, AND THE UNITED ARAB EMIRATES) NOW REGULARLY EXCEED THE 0.7 PERCENT TARGET BY A WIDE MARGIN.

9. IN RESPONSE TO COMMENTS ON OR QUERIES ABOUT THE LEVEL OF THE FLOW OF US RESOURCES TO THE DEVELOPING COUNTRIES, YOU SHOULD DRAW ON THE ABOVE INFORMATION AND ON THE FOLLOWING TALKING POINTS:

-- THE UNITED STATES INDICATED AT THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION (CIEC) THAT IT WOULD INCREASE THE AMOUNT OF US ECONOMIC ASSISTANCE PROGRESSIVELY AND SUBSTANTIALLY. THE US IS LIVING UP TO THIS PLEDGE. THE ADMINISTRATION IS SEEKING BUDGET AUTHORITY FOR DOL. 8.385 BILLION IN FOREIGN ASSISTANCE FOR FY 1979 AS COMPARED WITH DOL. 5.626 BILLION IN FY 1977.

-- THE LEVEL OF FURTHER INCREASES WILL DEPEND INTER ALIA ON THE STRENGTHENING OF INSTRUMENTALITIES--BOTH IN THE US AND RECIPIENT COUNTRIES--TO DELIVER ASSISTANCE TO THOSE IN NEED AND ON DEMONSTRATED LDC COMMITMENTS TO IMPLEMENT POLICIES AND PROGRAMS OF BENEFIT TO THE POOR.

-- THE UNITED STATES EXPECTS FOREIGN ASSISTANCE DISBURSEMENTS TO INCREASE IN 1978. IF CONGRESS APPROPRIATES THE LEVEL OF ECONOMIC ASSISTANCE WHICH THE ADMINISTRATION HAS REQUESTED FOR FY 1979, FURTHER INCREASES IN DISBURSEMENTS MAY BE EXPECTED.

-- THE UNITED STATES CONSISTENTLY HAS RESERVED ITS
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POSITION ON THE ODA TARGET OF THE INTERNATIONAL DEVELOPMENT STRATEGY AND IS THEREFORE NOT COMMITTED TO ATTAIN ANY PARTICULAR LEVEL OF ODA DISBURSEMENTS AS A PERCENTAGE OF US GROSS NATIONAL PRODUCT.

-- THE UNITED STATES REMAINS BY FAR THE LARGEST SINGLE SOURCE OF FINANCIAL RESOURCES, BOTH OFFICIAL AND PRIVATE, FOR THE DEVELOPING COUNTRIES. FOR EXAMPLE IN 1976 IT DISBURSED ONE-THIRD OF ALL DAC ASSISTANCE. VANCE

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